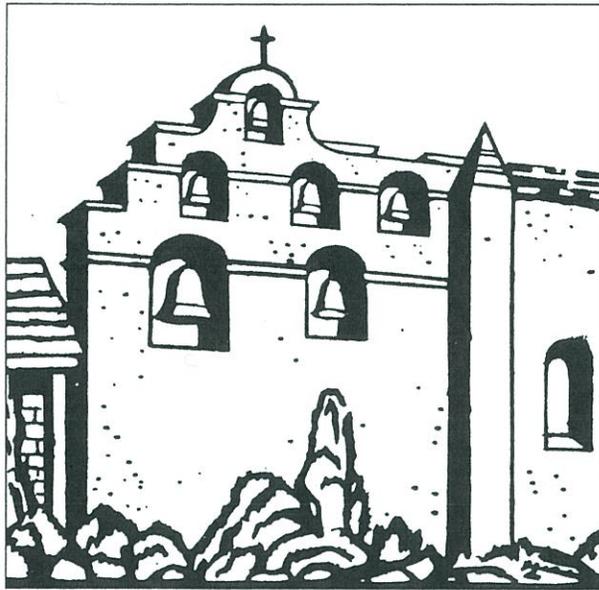


CITY OF SAN GABRIEL CALIFORNIA



FOUNDED 1771
CITY WITH A MISSION

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2006

CITY OF SAN GABRIEL,
CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2006

Prepared by:
FINANCE DEPARTMENT

Thomas Marston
Director of Finance

CITY OF SAN GABRIEL
Comprehensive Annual Financial Report
Year ended June 30, 2006

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CITY OF SAN GABRIEL
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION



City of San Gabriel

◆ City With A Mission ◆ Founded 1771 ◆

December 7, 2006

Honorable Mayor and City Council
City of San Gabriel
San Gabriel, California

State law requires that all local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of San Gabriel for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of San Gabriel. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of San Gabriel has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of San Gabriel's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of San Gabriel's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of San Gabriel's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of San Gabriel for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involve examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Gabriel's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of San Gabriel operates.

Local Economy

The City of San Gabriel currently enjoys a favorable economic environment and local indicators point to continued stability. The region--generally referred to as the San Gabriel Valley-- has a varied residential, commercial and industrial base that adds to the relative stability of the unemployment rate. It offers everything a company looks for when melding comfortable lifestyles for its employees with business and logistic needs. Steeped in history, the Valley is a safe high-quality environment in which to live, work and raise a family. The 30 cities and five un-incorporated communities that comprise the San Gabriel Valley contain an incredible variety and mixture of almost every type of residential and commercial area imaginable. Recreational and cultural opportunities abound. The educational system, from grade school through college, is the best you can find. Because the Valley affords its residents so much, it can boast a well-trained, multilevel, diverse and youthful labor pool. San Gabriel residents don't have to commute long distances to have it all.

Long-term Financial Planning

The City Council has requested that staff prepare a five year Capital Improvement Program document to better anticipate the costs of major projects and infrastructure improvements to the City. The first version of that document will be incorporated into the next fiscal year's planning and budgetary processes.

It is expected that major road and sewer improvement projects will be identified and included for future appropriation. Specific street improvement projects such as San Gabriel Boulevard and Roses Road will most likely be included. Not to mention, the planning of the eventual replacement of the Police Station and Public Works Yard.

Cash Management

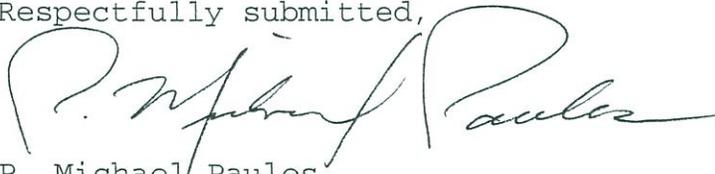
Cash temporarily idle during the year was invested in certificates of deposit, obligations of U.S. Treasury, mutual funds, and State investment pools. The City manages all of its cash and investments on a pooled basis with the exception of the Deferred Compensation funds that are managed by the appointed fiscal agents. Interest earnings are allocated to the various funds based on their share of cash and investment balances. The average yield on investments managed by the City was 4.65%.

system from which the reports were prepared. The CSMFO program originally was developed for those agencies that were not participating in the GFOA Certificate of Achievement for Excellence in Financial Reporting program. The intent was to give agencies a review program at a lower cost than the GFOA program, so that in receiving the CSMFO award the agency would be more confident to apply for the GFOA award. Overtime, however, many agencies such as the City of San Gabriel apply for and receive both awards every year.

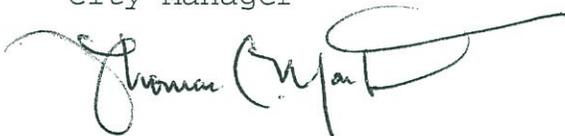
The CSMFO Board of Directors reexamined the CAFR review program at its latest board meeting and decided to return to the original intent of the program, which is for agencies who are submitting to the CAFR review program for the first time or for agencies that choose not to participate in the GFOA program. Consequently, the City of San Gabriel will not be eligible to apply in future years.

The preparation of the Comprehensive Annual Financial Report in accordance with GASB 34 financial reporting model was made possible by the dedicated work of the Finance Department Staff. Each member of the staff has our sincere appreciation for their contributions made in the preparation of the report. We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City, and to the firm of Mayer Hoffman McCann P.C. for their professional assistance and expertise.

Respectfully submitted,

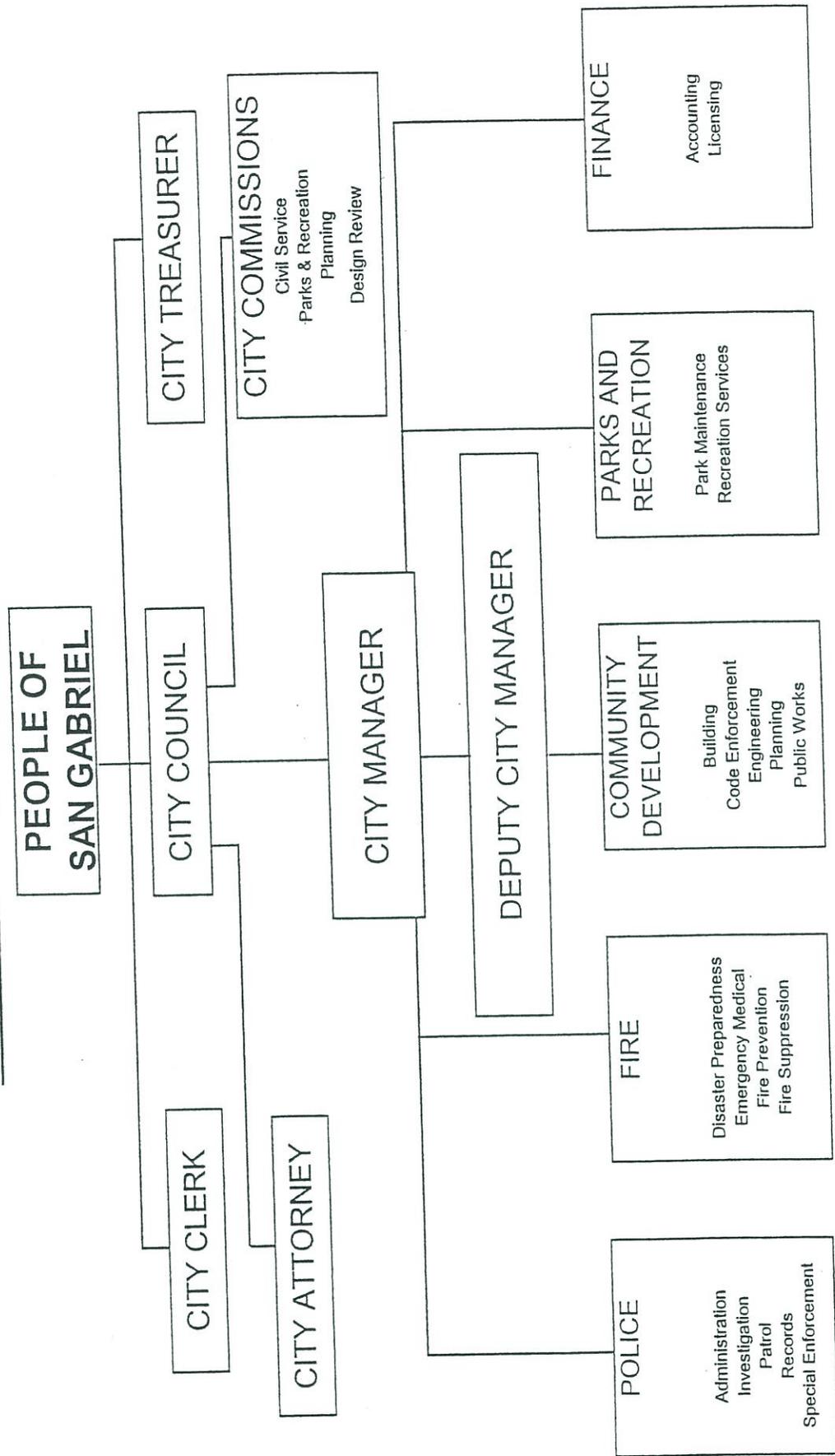


P. Michael Paules
City Manager



Thomas C. Marston
Finance Director

City of San Gabriel Organization Chart



*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of San Gabriel

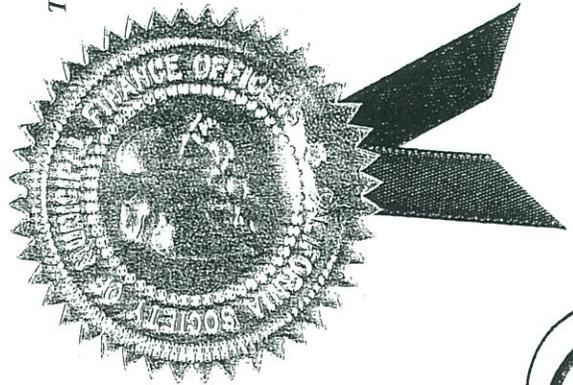
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

William A. Shand

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



FINANCIAL SECTION



Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

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The Honorable Mayor and City Council
City of San Gabriel
San Gabriel, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of San Gabriel, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of San Gabriel. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the City's 2005 financial statements which were audited by Conrad and Associates, L.L.P., who merged with Mayer Hoffman McCann P.C. as of January 1, 2006, and whose report dated September 23, 2005 expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of San Gabriel, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of the City of San Gabriel, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of San Gabriel's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's net assets increased 2.9% to \$49.1 million as a result of this year's operations.
- During the year, the City's taxes and general revenues exceeded governmental expenditures by \$1.4 million.
- The total revenues from all sources equaled \$31.0 million.
- The total cost of all City programs equaled \$29.6 million.
- The General Fund reported excess revenues over expenditures of \$2.4 million.
- For the General Fund, actual resources available for appropriation (revenues and transfers-in) were more than the final budget by \$625,000 while actual expenditures were \$1.5 million less than the budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "As a whole, is the City better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include All assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two

- *Proprietary funds*—When the City charges its own department for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

**The City as Trustee
Reporting the City's Fiduciary Responsibilities**

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities. The City has chosen to account for its Civic Auditorium operation in the General Fund rather than in an enterprise fund. Therefore, no business type activities are reported in the government-wide statements.

**Table 1
Statement of Net Assets
(in Millions)**

	Governmental Activities	
	2006	2005
Current and other assets	\$22.9	\$19.0
Capital Assets	32.6	34.6
Total Assets	\$55.5	\$53.6
Long-term debt outstanding	1.2	1.2
Other Liabilities	5.2	4.7
Total Liabilities	6.4	5.9
Net Assets:		
Invested in capital assets, net of debt	32.6	34.6
Unrestricted	16.5	13.2
Total net Assets	<u>49.1</u>	<u>47.7</u>

The City's net assets from governmental activities increased 2.9% from \$47.7 million to \$49.1 million. This increase of \$1.4 million comes from the change in net assets as recorded in the Statement of Activities and flows through the Statement of Net Assets.

Table 2
Statement of Activities
(in Millions)

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues		
Charges for Service	\$ 5.3	\$ 8.3
Operating Contributions and Grants	5.2	4.0
Capital Contributions and Grants	1.5	1.0
General Revenues		
Taxes		
Property Taxes	6.8	5.4
Utility User Taxes	3.4	3.2
Sales Taxes	4.0	3.9
Motor Vehicle in Lieu	3.0	-
Franchise Taxes	.6	.6
Transient Occupancy Taxes	.5	.4
Property Transfer Taxes	.2	.2
Investment Income	.5	.4
Other Revenue	-	.1
Total Revenues	<u>31.0</u>	<u>27.5</u>
Expenses		
General Government	4.6	3.6
Public Safety	14.3	14.4
Transportation	3.4	.7
Community Development	4.6	6.1
Culture and Recreation	2.7	2.8
Total Expenses	<u>29.6</u>	<u>27.6</u>
Increase (decrease) in net assets	\$ <u>1.4</u>	\$ (<u>.1</u>)

The City's total revenues were \$31.0 million, while the total cost of all programs and services were \$29.6 million. This is an increase of 12.7% in revenue and 7.3% increase in expenses over the prior year. The major increase in revenue came from Property Taxes which will be used to offset costs for retiree pension and healthcare benefits. Additionally, there was an increase in revenue in sales and transient occupancy tax affected by the full year of operation of a Hilton hotel.

Government Activities

Table 3 presents the cost of each of the City's five largest programs—general government, public safety, transportation, community development and culture and recreation—as well as the net cost (total cost less revenues generated by the activities). The net cost shows the financial impact on the City's taxpayers for each of these functions.

General Fund Budgetary Highlights

The final appropriation for the General Fund at year-end was \$1.5 million less than the final budget. The budget to actual variance in appropriations was in part due to departments spending less than their historical average. The City's budget policy is to incorporate a "Budget Savings" line item in each department's budget, anticipating a budgetary underexpenditure that has historically materialized and departments exceeded that underexpenditure this year. The department's underexpenditure was "masked over" by a combined \$1.6 million facility and equipment set-a-side. It is the City's policy to budget in the Police and Fire operating budgets an amount sufficient to provide for future acquisition of a new Police Facility and Fire Engines. The appropriate accounting treatment requires that the funds not be expended, but rather treated as a reserve to fund balance until such time as the set-a-side resources will be combined with the budgeted debt service payments. Actual revenues were more than the final budget by \$250,000. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriation for unanticipated expenditures after adoption of the original budget.

CAPIAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the City had \$32.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, land, park facilities and roads (See Table 4 below and refer to the Notes to the Financial Statements for additional information). This amount represents a net decrease (including additions and deductions) of \$2.0 million or 5.8% over last year. Readers desiring more detailed information on Capital Assets activity will find it in the disclosure provided in the Notes to the Basic financial Statements.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Government Activities	
	<u>2006</u>	<u>2005</u>
Land	1.9	1.9
Buildings & Improvements	4.4	4.5
Machinery & Equipment	2.9	3.2
Infrastructure	<u>23.4</u>	<u>25.0</u>
Totals	<u>32.6</u>	<u>34.6</u>

BASIC FINANCIAL STATEMENTS

CITY OF SAN GABRIEL

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and investments (note 2)	\$ 18,069,474
Accounts receivable, net	1,178,524
Prepays	2,640
Interest receivable	113,262
Due from other governments	2,006,827
Property held for resale	1,500,000
Capital assets, not depreciated (note 4)	1,928,325
Capital assets, depreciated (note 4)	<u>30,696,901</u>
 Total assets	 <u>55,495,953</u>
Liabilities:	
Accounts payable	2,793,362
Accrued payroll	360,461
Claims payable (note 12)	1,714,419
Long-term liabilities (note 5):	
Due within one year	302,588
Due in more than one year	<u>1,210,350</u>
 Total liabilities	 <u>6,381,180</u>
Net assets:	
Invested in capital assets	32,625,226
Unrestricted	<u>16,489,547</u>
 Total net assets	 <u><u>\$ 49,114,773</u></u>

See accompanying notes to the basic financial statements.

GENERAL FUND

General Fund – This fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted for a particular purpose. The following funds have been classified as major funds. The budget-actual comparisons for these funds have been presented in the accompanying financial statements are *required supplementary information*:

Retirement Fund – This fund is used to account for the receipt of property taxes of a voter-approved tax levy. These funds are used to pay the City's cost of retirement for employees.

Proposition C Local Return Fund – This fund is used to account for monies received from an allocation of sales tax revenue restricted to fund local transportation related activities in accordance with Proposition C regulations.

Community Development Block Grant Fund – This fund is used to account for funds from the Community Development Block Grant for neighborhood improvement and rehabilitation purposes.

CAPITAL PROJECT FUND

The Capital Project Fund is established to account for administrative cost for start-up of the Redevelopment Agency and costs of redevelopment. The following fund has been classified as a major fund in the accompanying financial statements:

Redevelopment Fund – This fund is used to account for administrative and other costs of the Redevelopment Agency.

CITY OF SAN GABRIEL
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2006

Fund balances of governmental funds	\$ 18,137,023
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	32,586,781
Compensated absences have not been included in the governmental fund activity:	
Compensated absences	(1,464,407)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	159,672
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>(304,296)</u>
Net assets of governmental activities	<u>\$ 49,114,773</u>

See accompanying notes to the basic financial statements.

CITY OF SAN GABRIEL
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Changes in fund balances of governmental funds	\$ 3,743,440
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,923,784)
To record as an expense the net change in compensated absences in the statement of activities.	(20,834)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	(567,411)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds are reported with governmental activities.	<u>147,452</u>
Changes in net assets of governmental activities	<u>\$ 1,378,863</u>

See accompanying notes to the basic financial statements.

CITY OF SAN GABRIEL
Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2006
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services	\$ 3,567,426	2,526,517
Total operating revenues	<u>3,567,426</u>	<u>2,526,517</u>
Operating expenses:		
Personnel services	254,181	239,024
Contractual services	7,831	4,014
Vehicle operating	264,711	246,595
Depreciation	1,200	2,238
Utilities	6,037	5,539
Uniforms	1,984	2,158
Insurance premiums	604,898	645,896
Claims and judgments	<u>2,527,710</u>	<u>2,417,720</u>
Total operating expenses	<u>3,668,552</u>	<u>3,563,184</u>
Operating income (loss)	<u>(101,126)</u>	<u>(1,036,667)</u>
Non-operating revenues:		
Investment income	<u>22,229</u>	<u>39,601</u>
Income (loss) before transfers	<u>(78,897)</u>	<u>(997,066)</u>
Transfers in (note 3)	<u>226,349</u>	<u>169,179</u>
Change in net assets	147,452	(827,887)
Total net assets (deficit) at beginning of year	<u>(451,748)</u>	<u>376,139</u>
Total net assets (deficit) at end of year	<u>\$ (304,296)</u>	<u>(451,748)</u>

See accompanying notes to the basic financial statements.

CITY OF SAN GABRIEL
Agency Fund

Statement of Fiduciary Assets and Liabilities

June 30, 2006

	Deposits Fund	
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 298,694	179,629
Accounts receivable	<u>45,053</u>	<u>40,180</u>
Total assets	<u>\$ 343,747</u>	<u>219,809</u>
<u>Liabilities</u>		
Accounts payable	\$ 18,691	29,589
Deposits payable	<u>325,056</u>	<u>190,220</u>
Total liabilities	<u>\$ 343,747</u>	<u>219,809</u>

See accompanying notes to the basic financial statements.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

Year ended June 30, 2006

(1) Summary of Significant Accounting Policies

The City of San Gabriel (City) was incorporated April 24, 1913 under the general laws of the state of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City is a municipal corporation governed by an elected five-member council.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies.

(a) Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of San Gabriel and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. A brief description of the component unit is as follows:

- The San Gabriel Redevelopment Agency (Agency) was established in February 1991, pursuant to the State of California Health and Safety Code Section 33000 entitled, "Community Redevelopment Law." Although it is a legally separate entity from the City, the Agency is reported as if it were part of the City because of its purpose to prepare and execute plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. Separate financial statements for the Agency are available at City Hall.

Since the City Council serves as the governing board for this component unit, it is considered to be a blended component unit. Blended component unit, although legally separate entity, is in substance, part of the City's operations and so data from the unit is reported with the interfund data of the primary government. The Agency issues separate component unit financial statements and upon their completion, can be obtained at City Hall.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus and Basis of Accounting, (Continued)

Program revenues include charges for services and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Fiduciary statements include financial information for the fiduciary fund. The fiduciary fund of the City primarily represents assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of sixty days.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus and Basis of Accounting, (Continued)

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds and fiduciary fund are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as noncapital revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the internal service fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as a reduction of the related liability, rather than as an expenditure.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(d) Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City pools cash and investments of all fund. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of San Gabriel. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the internal service fund is considered cash and cash equivalents.

(f) Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

Capital assets include additions to public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(i) Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City of San Gabriel accrues only those taxes which are received from the county within 60 days after year-end:

Lien date	March 1
Levy date	July 1 to June 30
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

(j) Property Held for Resale

The property held for resale was acquired as a result of a court settlement by condemnation for redevelopment purposes. The settlement cost was \$1,500,000.

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(l) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, and concentration of credit risk.

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	20%	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20% of basic value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2006, \$925,800 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(3) Interfund Receivables, Payables and Transfers

Current interfund receivables and payables as of June 30, 2006 were as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	<u>\$102,919 (A)</u>

(A) Short-term borrowing to cover temporary cash shortfalls.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2006 was as follows:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Capital assets being depreciated:				
Building and improvements	\$7,033,660	44,748	-	7,078,408
Machinery and equipment	6,210,683	308,074	95,282	6,423,475
Infrastructure	<u>65,393,306</u>	<u>182,160</u>	<u>-</u>	<u>65,575,466</u>
Total cost of depreciable assets	<u>78,637,649</u>	<u>534,982</u>	<u>95,282</u>	<u>79,077,349</u>
Less accumulated depreciation for:				
Building and improvements	2,562,897	143,662	-	2,706,559
Machinery and equipment	3,042,489	531,421	88,653	3,485,257
Infrastructure	<u>40,410,378</u>	<u>1,778,254</u>	<u>-</u>	<u>42,188,632</u>
Total accumulated depreciation	<u>46,015,764</u>	<u>2,453,337</u>	<u>88,653</u>	<u>48,380,448</u>
Net depreciable assets	32,621,885	(1,918,355)	6,629	30,696,901
Capital assets not depreciated:				
Land	<u>1,928,325</u>	<u>-</u>	<u>-</u>	<u>1,928,325</u>
Capital assets, net	<u>\$34,550,210</u>	<u>(1,918,355)</u>	<u>6,629</u>	<u>32,625,226</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 126,614
Public safety	357,592
Transportation	1,698,666
Community development	138,547
Culture and recreation	<u>131,918</u>
Total	<u>\$2,453,337</u>

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(7) Expenditures in Excess of Appropriations

Expenditures for the year ended June 30, 2006 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
City Clerk	\$ 196,547	198,183	(1,636)
General Services	1,686,978	1,991,661	(304,683)
Civic Auditorium	764,920	780,666	(15,746)
Capital Project:			
Redevelopment	277,821	434,012	(156,191)

(8) Defined Benefit Pension Plan (PERS)

The City of San Gabriel contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(8) Defined Benefit Pension Plan (PERS), (Continued)

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Effective with the June 30, 2003 valuation, risk pools were established for plans containing less than 100 active members as of the valuation date. Plans satisfying this criteria were lumped into pools based on their benefit formula and membership category. The City is part of the risk pool plan.

The Schedule of Funding Progress below shows the recent history of the Risk Pool's actuarial value of assets, accrued liability their relationship, and the relationship of the unfunded liability (UL) to payroll. Two years of risk pool's actuarial values indicated below were available only at this time since the City joins the risk pool effective the fiscal year ended June 30, 2003.

Required Supplementary Information – Safety

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities/ (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UA as a % of Payroll</u>
6/30/03	\$4,270,573,982	\$3,577,742,166	\$692,831,816	83.8%	\$476,089,674	145.5%
6/30/04	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%

Required Supplementary Information – Miscellaneous

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities/ (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UA as a % of Payroll</u>
6/30/03	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
6/30/04	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(10) Contingencies

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

The City annually imposes a special tax for payment of PERS retirement costs for City employees. This tax, approved by the voters prior to the passage of Proposition 13, is not subject to the limitations of that enactment. An Appellate Court ruled that the City of Huntington Beach could not levy and use its voter approved retirement tax to pay for retirement plan enhancements that had been added after the date of voter approval. The City of San Gabriel currently levies and uses its tax to pay for subsequently added retirement benefits. After reviewing the decision and the text of San Gabriel's voter approved initiative, the City Attorneys have concluded that the measure approved by San Gabriel's voters does authorize the City to levy and use the tax to pay for subsequently added benefits and have advised the City that it may continue to do so. The City has potential exposure to litigation over this issue. However, due to tax claim procedures enacted by City Ordinance No. 516, if a challenge were successfully mounted, the City Attorneys believe that any significant impact would be prospective in nature.

(11) Construction Commitments

The following material construction commitments existed at June 30, 2006:

<u>Project Name</u>	<u>Expenditures as of June 30, 2006</u>	<u>Remaining Commitments</u>
Millennium Miles Street Improvements	\$3,112,508	828,514
Del Mar Wash/Bridge Rehabilitation	297,012	465,463
Vincent Lugo Park	-	378,000
San Gabriel Boulevard Rehabilitation	540,656	91,764

CITY OF SAN GABRIEL

Notes to the Basic Financial Statements

(Continued)

(13) Operating Leases

During the year ended June 30, 2006, the City entered into several operating leases for certain office equipment and auto vehicle. The leases provide for monthly payments, commencing date, and maturity date as follows:

	<u>Monthly Payments</u>	<u>Commencing Date</u>	<u>Maturity Date</u>
Copier/printer	\$ 468	November 2003	October 2006
Imaging system	745	November 2003	October 2006
Auto vehicle	484	July 2004	June 2007

Minimum future rental payments under the operating leases are as follows:

2007	<u>\$10,659</u>
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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAN GABRIEL

Notes to Required Supplementary Information

Year ended June 30, 2006

(1) Budgetary Control and Accounting

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying basic financial statements:

- The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budgeted appropriations lapse at the end of the year.
- The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Council must approve budget appropriation transfers between departments within a fund. The departments of the General Fund are considered to be departments for purposes of this requirement. Actual expenditures may not legally exceed budgeted appropriations at the fund level.
- Annual budgets are adopted for all Governmental Fund Types on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP).
- The budgetary information shown for revenues and expenditures represents the original adopted budget adjusted for any changes made by the City Council. For the year ended June 30, 2006, supplemental appropriations in the amount of \$7,286,602 were made.
- Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.

CITY OF SAN GABRIEL
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

(Continued)

	2006			Variance with Final Budget Positive (Negative)	2005
	Budgeted Amounts		Actual		Actual
	Original	Final			
Community development:					
Development services	1,721,828	1,758,351	1,661,370	96,981	1,820,752
Street services	1,221,536	1,257,208	1,196,020	61,188	1,180,958
Maintenance services	567,735	578,142	487,386	90,756	495,666
Total community development	<u>3,511,099</u>	<u>3,593,701</u>	<u>3,344,776</u>	<u>248,925</u>	<u>3,497,376</u>
Culture and recreation:					
Civic auditorium	752,234	764,920	780,666	(15,746)	736,040
Park maintenance	715,181	726,431	714,609	11,822	685,137
Swimming pool	184,425	187,036	171,875	15,161	161,401
Facilities maintenance	145,796	139,630	108,268	31,362	116,053
Concessions	44,524	45,329	37,694	7,635	31,593
Recreation	568,894	582,648	532,665	49,983	518,643
Total culture and recreation	<u>2,411,054</u>	<u>2,445,994</u>	<u>2,345,777</u>	<u>100,217</u>	<u>2,248,867</u>
Capital outlay	<u>154,014</u>	<u>456,740</u>	<u>270,031</u>	<u>186,709</u>	<u>568,420</u>
Total expenditures	<u>23,847,818</u>	<u>25,449,329</u>	<u>23,960,012</u>	<u>1,489,317</u>	<u>22,548,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,859,218)</u>	<u>(4,073,729)</u>	<u>(2,333,349)</u>	<u>1,740,380</u>	<u>(3,276,698)</u>
Other financing sources:					
Transfers in	<u>4,316,209</u>	<u>4,385,879</u>	<u>4,759,330</u>	<u>373,451</u>	<u>4,479,963</u>
Total other financing sources	<u>4,316,209</u>	<u>4,385,879</u>	<u>4,759,330</u>	<u>373,451</u>	<u>4,479,963</u>
Net change in fund balances	456,991	312,150	2,425,981	2,113,831	1,203,265
Fund balance at beginning of year	<u>4,677,205</u>	<u>4,677,205</u>	<u>4,677,205</u>	-	<u>3,473,940</u>
Fund balance at end of year	<u>\$ 5,134,196</u>	<u>4,989,355</u>	<u>7,103,186</u>	<u>2,113,831</u>	<u>4,677,205</u>

CITY OF SAN GABRIEL
Special Revenue Fund

Proposition C Local Return Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006			Variance with Final Budget Positive (Negative)	2005
	Budget		Actual		Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 500,000	500,000	581,107	81,107	502,344
Investment income	<u>70,000</u>	<u>70,000</u>	<u>104,238</u>	<u>34,238</u>	<u>97,576</u>
Total revenues	<u>570,000</u>	<u>570,000</u>	<u>685,345</u>	<u>115,345</u>	<u>599,920</u>
Expenditures:					
Current:					
Transportation	20,000	20,000	20,000	-	15,000
Capital outlay	<u>189,181</u>	<u>521,137</u>	<u>324,488</u>	<u>196,649</u>	<u>411,827</u>
Total expenditures	<u>209,181</u>	<u>541,137</u>	<u>344,488</u>	<u>196,649</u>	<u>426,827</u>
Excess of revenues over expenditures	<u>360,819</u>	<u>28,863</u>	<u>340,857</u>	<u>311,994</u>	<u>173,093</u>
Other financing sources (uses):					
Transfer out	<u>(320,819)</u>	<u>(883,764)</u>	<u>(550,279)</u>	<u>333,485</u>	<u>-</u>
Net change in fund balances	40,000	(854,901)	(209,422)	645,479	173,093
Fund balance at beginning of year	<u>2,565,651</u>	<u>2,565,651</u>	<u>2,565,651</u>	<u>-</u>	<u>2,392,558</u>
Fund balance at end of year	<u>\$ 2,605,651</u>	<u>1,710,750</u>	<u>2,356,229</u>	<u>645,479</u>	<u>2,565,651</u>

SUPPLEMENTARY SCHEDULES

NON- MAJOR SPECIAL REVENUE FUNDS, (CONTINUED)

Air Quality Management District Fund

To account for revenues received from the Air Quality Management District for the improvement of air quality.

Narcotic Seizure Fund

To account for revenues seized by the Police Department during narcotics investigations.

Waste Management Fund

To account for the collection of a waste surcharge from consumers to finance waste management programs.

Development Impact Fees Fund

To account for the collection of fees from developers. These funds are used for public facility improvements.

Street Light Fund

To account for fees collected from new developments. These funds are used for the construction of street lights in certain areas of the City.

Office of Traffic Safety Grant Fund

To account for the revenues from the California Office of Traffic Safety to be used to a multi-ethnic comprehensive traffic safety program.

Other Grants	Local Law Enforcement Block Grant	Air Quality Management District	Narcotic Seizure	Waste Management	Development Impact Fees	Street Light	Office of Traffic Safety Grant	Totals	
								2006	2005
344,097	189,781	101,566	297,548	557,474	613,441	56,020	2	4,133,830	3,005,770
-	-	-	-	57,727	-	-	-	65,687	55,132
<u>191,446</u>	<u>-</u>	<u>12,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,036</u>	<u>672,448</u>
<u>535,543</u>	<u>189,781</u>	<u>114,326</u>	<u>297,548</u>	<u>615,201</u>	<u>613,441</u>	<u>56,020</u>	<u>2</u>	<u>4,676,553</u>	<u>3,733,350</u>
9,108	-	-	-	-	-	-	-	45,681	68,658
-	-	-	-	-	-	-	-	6,699	10,639
-	-	-	-	-	-	-	-	-	304,126
<u>120,313</u>	<u>39,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,672</u>	<u>640,525</u>
<u>129,421</u>	<u>39,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,052</u>	<u>1,023,948</u>
<u>406,122</u>	<u>150,422</u>	<u>114,326</u>	<u>297,548</u>	<u>615,201</u>	<u>613,441</u>	<u>56,020</u>	<u>2</u>	<u>4,464,501</u>	<u>2,709,402</u>
<u>406,122</u>	<u>150,422</u>	<u>114,326</u>	<u>297,548</u>	<u>615,201</u>	<u>613,441</u>	<u>56,020</u>	<u>2</u>	<u>4,464,501</u>	<u>2,709,402</u>
<u>535,543</u>	<u>189,781</u>	<u>114,326</u>	<u>297,548</u>	<u>615,201</u>	<u>613,441</u>	<u>56,020</u>	<u>2</u>	<u>4,676,553</u>	<u>3,733,350</u>

Other Grants	Local Law Enforcement Block Grant	Air Quality Management District	Narcotic Seizure	Waste Management	Development Impact Fees	Street Light	Office of Traffic Safety Grant	Totals	
								2006	2005
-	-	-	-	-	-	-	-	171,768	110,970
785,435	-	51,456	25,911	-	-	42,040	12,701	3,017,287	2,379,472
-	-	-	-	481,975	181,535	-	-	897,041	921,763
-	-	2,994	11,090	-	12,116	-	-	102,562	64,001
-	-	-	-	-	-	-	-	-	320
<u>785,435</u>	<u>-</u>	<u>54,450</u>	<u>37,001</u>	<u>481,975</u>	<u>193,651</u>	<u>42,040</u>	<u>12,701</u>	<u>4,188,658</u>	<u>3,476,526</u>
-	-	-	-	-	-	-	-	140,037	194,098
-	-	-	-	-	-	-	-	183,418	169,578
-	-	-	-	-	-	-	-	1,668,142	606,934
<u>315,586</u>	<u>-</u>	<u>36,731</u>	<u>22,360</u>	<u>119,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,832</u>	<u>1,207,076</u>
<u>315,586</u>	<u>-</u>	<u>36,731</u>	<u>22,360</u>	<u>119,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,421,392</u>	<u>1,983,588</u>
<u>469,849</u>	<u>-</u>	<u>17,719</u>	<u>14,641</u>	<u>362,699</u>	<u>193,651</u>	<u>42,040</u>	<u>12,701</u>	<u>1,767,266</u>	<u>1,298,840</u>
84,000	-	-	-	-	-	-	3,865	732,707	369,816
-	-	-	-	-	-	-	-	(609,325)	(1,119,149)
<u>84,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,865</u>	<u>123,382</u>	<u>(749,333)</u>
553,849	-	17,719	14,641	362,699	193,651	42,040	16,566	1,890,648	549,507
<u>(147,727)</u>	<u>150,422</u>	<u>96,607</u>	<u>282,907</u>	<u>252,502</u>	<u>419,790</u>	<u>13,980</u>	<u>(16,564)</u>	<u>2,713,890</u>	<u>2,164,383</u>
<u>406,122</u>	<u>150,422</u>	<u>114,326</u>	<u>297,548</u>	<u>615,201</u>	<u>613,441</u>	<u>56,020</u>	<u>2</u>	<u>4,604,538</u>	<u>2,713,890</u>

CITY OF SAN GABRIEL
Proposition A Local Return Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Intergovernmental	\$ 600,000	675,694	75,694	605,467
Investment income	31,000	36,113	5,113	29,008
Total revenues	<u>631,000</u>	<u>711,807</u>	<u>80,807</u>	<u>634,475</u>
Expenditures:				
Current:				
Transportation	1,809,642	1,668,142	141,500	606,934
Capital outlay	50,000	7,392	42,608	-
Total expenditures	<u>1,859,642</u>	<u>1,675,534</u>	<u>184,108</u>	<u>606,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,228,642)</u>	<u>(963,727)</u>	<u>264,915</u>	<u>27,541</u>
Other financing sources:				
Transfer in	354,621	606,303	251,682	339,570
Net change in fund balances	(874,021)	(357,424)	516,597	367,111
Fund balances at end of year	<u>914,713</u>	<u>914,713</u>	<u>-</u>	<u>547,602</u>
Fund balances at end of year	<u>\$ 40,692</u>	<u>557,289</u>	<u>516,597</u>	<u>914,713</u>

CITY OF SAN GABRIEL
Citizens Option for Public Safety Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Intergovernmental	\$ 100,000	100,000	-	100,000
Investment income	<u>2,000</u>	<u>2,612</u>	<u>612</u>	<u>3,921</u>
Total revenues	<u>102,000</u>	<u>102,612</u>	<u>612</u>	<u>103,921</u>
Expenditures:				
Current:				
Public safety	151,136	140,037	11,099	140,426
Capital outlay	<u>51,704</u>	<u>2,969</u>	<u>48,735</u>	<u>29,750</u>
Total expenditures	<u>202,840</u>	<u>143,006</u>	<u>59,834</u>	<u>170,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,840)</u>	<u>(40,394)</u>	<u>60,446</u>	<u>(66,255)</u>
Other financing sources:				
Transfers in	<u>27,235</u>	<u>26,687</u>	<u>(548)</u>	<u>22,589</u>
Net change in fund balances	(73,605)	(13,707)	59,898	(43,666)
Fund balances at beginning of year	<u>75,168</u>	<u>75,168</u>	<u>-</u>	<u>118,834</u>
Fund balances at end of year	<u>\$ 1,563</u>	<u>61,461</u>	<u>59,898</u>	<u>75,168</u>

CITY OF SAN GABRIEL
Parks and Recreation Activity Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Charges for services	\$ 201,000	186,183	(14,817)	196,670
Total revenues	<u>201,000</u>	<u>186,183</u>	<u>(14,817)</u>	<u>196,670</u>
Expenditures:				
Culture and recreation	<u>209,000</u>	<u>183,418</u>	<u>25,582</u>	<u>169,578</u>
Total expenditures	<u>209,000</u>	<u>183,418</u>	<u>25,582</u>	<u>169,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,000)</u>	<u>2,765</u>	<u>10,765</u>	<u>27,092</u>
Net change in fund balances	(8,000)	2,765	10,765	27,092
Fund balances at beginning of year	<u>189,578</u>	<u>189,578</u>	-	<u>162,486</u>
Fund balances at end of year	<u>\$ 181,578</u>	<u>192,343</u>	<u>10,765</u>	<u>189,578</u>

CITY OF SAN GABRIEL
Other Grants Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Intergovernmental	\$ 1,501,414	785,435	(715,979)	756,305
Investment income	-	-	-	12
Total revenues	<u>1,501,414</u>	<u>785,435</u>	<u>(715,979)</u>	<u>756,317</u>
Expenditures:				
Capital outlay	<u>1,778,703</u>	<u>315,586</u>	<u>1,463,117</u>	<u>914,707</u>
Total expenditures	<u>1,778,703</u>	<u>315,586</u>	<u>1,463,117</u>	<u>914,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(277,289)</u>	<u>469,849</u>	<u>747,138</u>	<u>(158,390)</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Net change in fund balances	<u>(277,289)</u>	<u>553,849</u>	<u>831,138</u>	<u>(158,390)</u>
Fund balances (deficit) at beginning of year	<u>(147,727)</u>	<u>(147,727)</u>	<u>-</u>	<u>10,663</u>
Fund balances (deficit) at end of year	<u>\$ (425,016)</u>	<u>406,122</u>	<u>831,138</u>	<u>(147,727)</u>

CITY OF SAN GABRIEL
Air Quality Management District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006			2005
	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Actual
Revenues:				
Intergovernmental	\$ 50,000	51,456	1,456	49,274
Investment income	1,000	2,994	1,994	2,205
Total revenues	51,000	54,450	3,450	51,479
Expenditures:				
Capital outlay	90,000	36,731	53,269	5,028
Total expenditures	90,000	36,731	53,269	5,028
Excess (deficiency) of revenues over (under) expenditures	(39,000)	17,719	56,719	46,451
Net change in fund balances	(39,000)	17,719	56,719	46,451
Fund balances at beginning of year	96,607	96,607	-	50,156
Fund balances at end of year	\$ 57,607	114,326	56,719	96,607

CITY OF SAN GABRIEL
Waste Management Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Charges for services	\$ 470,000	481,975	11,975	465,413
Total revenues	470,000	481,975	11,975	465,413
Expenditures:				
Capital outlay	748,794	119,276	629,518	207,345
Total expenditures	748,794	119,276	629,518	207,345
Excess (deficiency) of revenues over (under) expenditures	(278,794)	362,699	641,493	258,068
Other financing uses:				
Transfers out	-	-	-	(417,023)
Net change in fund balances	(278,794)	362,699	641,493	(158,955)
Fund balances at beginning of year	252,502	252,502	-	411,457
Fund balances (deficit) at end of year	\$ (26,292)	615,201	641,493	252,502

CITY OF SAN GABRIEL
Street Light Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2006

	2006		Variance with Final Budget Positive (Negative)	2005
	Final Budget	Actual		Actual
Revenues:				
Intergovernmental	\$ 35,000	42,040	7,040	13,980
Total revenues	35,000	42,040	7,040	13,980
Excess of revenues over expenditures	35,000	42,040	7,040	13,980
Other financing uses:				
Transfers out	-	-	-	(83,493)
Net change in fund balances	35,000	42,040	7,040	(69,513)
Fund balances at beginning of year	13,980	13,980	-	83,493
Fund balances at end of year	\$ 48,980	56,020	7,040	13,980

MAJOR CAPITAL PROJECT FUND

The Capital Project Fund is established to account for administrative cost for start-up of the Redevelopment Agency and costs of redevelopment.

Major Fund:

Redevelopment Fund - to account for administrative and other costs of the Redevelopment Agency.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for goods and services provided by one City department to other City departments or agencies. Funds included are:

Self-Insurance Fund - to account for payments made for the City's workers' compensation and general liability claims.

Automotive Maintenance Fund - to account for costs of operating a maintenance facility for automotive equipment used by City departments.

CITY OF SAN GABRIEL
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2006

	<u>Self- Insurance</u>	<u>Automotive Maintenance</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
Operating revenues:				
Charges for services	\$ 3,113,126	454,300	3,567,426	2,526,517
Total operating revenues	<u>3,113,126</u>	<u>454,300</u>	<u>3,567,426</u>	<u>2,526,517</u>
Operating expenses:				
Personnel services	-	254,181	254,181	239,024
Contractual services	-	7,831	7,831	4,014
Vehicle operating	-	264,711	264,711	246,595
Depreciation	-	1,200	1,200	2,238
Utilities	-	6,037	6,037	5,539
Uniforms	-	1,984	1,984	2,158
Allowances	-	-	-	-
Insurance premiums	604,898	-	604,898	645,896
Claims and judgments	<u>2,527,710</u>	<u>-</u>	<u>2,527,710</u>	<u>2,417,720</u>
Total operating expenses	<u>3,132,608</u>	<u>535,944</u>	<u>3,668,552</u>	<u>3,563,184</u>
Operating income (loss)	<u>(19,482)</u>	<u>(81,644)</u>	<u>(101,126)</u>	<u>(1,036,667)</u>
Non-operating revenues:				
Investment income	<u>21,874</u>	<u>355</u>	<u>22,229</u>	<u>39,601</u>
Income (loss) before transfers	<u>2,392</u>	<u>(81,289)</u>	<u>(78,897)</u>	<u>(997,066)</u>
Transfers in	<u>176,879</u>	<u>49,470</u>	<u>226,349</u>	<u>169,179</u>
Net change in net assets	179,271	(31,819)	147,452	(827,887)
Total net assets (deficit) at beginning of year	<u>(461,331)</u>	<u>9,583</u>	<u>(451,748)</u>	<u>376,139</u>
Total net assets (deficit) at end of year	<u>\$ (282,060)</u>	<u>(22,236)</u>	<u>(304,296)</u>	<u>(451,748)</u>

FIDUCIARY FUNDS

AGENCY FUND

The Agency Fund is used to accounting for assets held by the City as an agent for individuals. Private organizations, other governments and/or other funds. The Agency Fund operates as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

Deposit Fund- This fund is used to account for deposits collected by the city which will be refunded at some later date.

STATISTICAL SECTION

CITY OF SAN GABRIEL
Changes in Net Assets
Last Four Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses				
Governmental activities:				
General Government	\$ 4,629,928	3,632,467	3,471,388	3,135,735
Public Safety	14,278,926	14,394,449	12,168,593	10,326,967
Community Development	4,607,455	6,072,509	4,161,676	3,712,609
Transportation	3,386,808	697,797	2,331,649	2,142,391
Culture & Recreation	2,737,045	2,784,195	2,625,740	2,182,577
Total primary government expenses	<u>29,640,162</u>	<u>27,581,417</u>	<u>24,759,046</u>	<u>21,500,279</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	204,187	3,505,044	1,202,766	2,168,926
Public safety	1,938,757	1,343,392	1,371,383	1,335,946
Culture and recreation	517,130	506,565	409,709	553,364
Community development	2,592,783	2,919,783	2,570,863	1,942,160
Transportation	5,500	6,500	6,000	26,485
Operating grants and contributions	5,149,940	4,026,667	3,184,871	4,358,304
Capital grants and contributions	1,497,228	1,040,705	1,966,768	702,835
Total governmental activities program revenues	<u>11,905,525</u>	<u>13,348,656</u>	<u>10,712,360</u>	<u>11,088,020</u>
Net revenues/(expenses)				
Total net revenues (expenses)	<u>\$ (17,734,637)</u>	<u>(14,232,761)</u>	<u>(14,046,686)</u>	<u>(10,412,259)</u>

TABLE 3

CITY OF SAN GABRIEL
Fund Balances of Governmental Funds
Last Four Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General fund:				
Reserved	\$ 4,272,486	3,129,445	1,923,998	1,845,580
Unreserved	<u>2,830,700</u>	<u>1,547,760</u>	<u>1,549,942</u>	<u>2,349,402</u>
Total general fund	<u>\$ 7,103,186</u>	<u>4,677,205</u>	<u>3,473,940</u>	<u>4,194,982</u>
All other governmental funds:				
Reserved	\$ 4,656,964	5,154,535	6,157,919	5,758,216
Unreserved, reported in:				
Special revenue funds	6,820,730	5,323,606	4,910,204	3,833,019
Capital projects funds	<u>(443,857)</u>	<u>(761,763)</u>	<u>(802,329)</u>	<u>(792,414)</u>
Total all other governmental funds	<u>\$ 11,033,837</u>	<u>9,716,378</u>	<u>10,265,794</u>	<u>8,798,821</u>

(1) Fourth year GASB 34 implementation.

TABLE 5

CITY OF SAN GABRIEL
Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1996-1997	\$ 1,288,423,229	401,225,632	54,503,038	7,953,971	1,736,197,928	0.1971%
1997-1998	1,308,823,786	399,118,249	49,160,931	10,706,864	1,746,396,102	0.1971%
1998-1999	1,340,570,359	406,928,993	48,965,016	10,417,461	1,786,046,907	0.1968%
1999-2000	1,386,199,044	416,906,938	50,614,262	10,293,465	1,843,426,779	0.1965%
2000-2001	1,456,233,461	437,797,493	50,726,129	11,701,203	1,933,055,880	0.1958%
2001-2002	1,552,035,307	468,710,065	54,034,685	11,688,507	2,063,091,550	0.2046%
2002-2003	1,653,432,464	488,962,063	56,502,244	12,998,045	2,185,898,726	0.2063%
2003-2004	1,816,341,125	519,001,911	58,806,602	13,241,637	2,380,908,001	0.2078%
2004-2005	1,954,983,363	534,095,932	60,925,561	13,950,179	2,536,054,677	0.2115%
2005-2006	2,147,415,244	572,858,300	61,727,068	13,972,591	2,768,028,021	0.2445%

Source: Los Angeles County Assessor's Office

TABLE 7

CITY OF SAN GABRIEL
Principle Property Taxpayers
June 30, 2006

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Value to Total Assessed Value</u>
Universal Shopping Plaza	Commercial	\$ 54,439,114	1.97%
Tony C. Chu Trust	Commercial	19,799,014	0.72%
Lucky Center LLC	Residential	8,088,967	0.29%
Pacific Lion	Commercial	6,444,360	0.23%
Shih Properties Inc.	Commercial	7,612,848	0.28%
Thomas K. & Hsui Y. Wong	Commercial	8,895,074	0.32%
Roman Catholic Archbishop of LA	Institutional	8,583,164	0.31%
Lucky Center LLC	Commercial	7,930,362	0.29%
Life Plaza Center, LLC	Commercial	6,963,049	0.25%

Source: City Finance Department

TABLE 9

CITY OF SAN GABRIEL

Direct and Overlapping Debt

June 30, 2006

	Percent Applicable to City of San Gabriel	Outstanding Debt 6/30/06	Amount Applicable to City of San Gabriel
Overlapping bonded debt:			
Detention facilities 1987 debt service	0.371	\$ 8,395,000	\$ 31,165
LA Co. Fl. Con. Storm Dr. D.S. #4	0.377	1,080,000	4,072
Orig Area up San Gabriel Valley Municipal water dist. 1116001	0.401	182,369,156	730,532
Garvey sch dist DS 2000 series A	12.535	7,449,903	933,861
Garvey sch dist DS 2004 series B	12.535	6,474,519	811,595
Garvey sch dist DS 2004 series 2005	12.535	9,998,736	1,253,363
Rosemead sch dist DS 2000 series A	11.396	7,260,000	827,346
Rosemead sch dist DS 2000 series B	11.396	9,915,000	1,129,909
El Monte un hsd DS 2002 series A	2.296	6,915,000	158,795
El Monte union hi DS 2002 series B & 2006 BO	2.296	48,874,927	1,122,356
L.A. CCD DS 2001 series A	0.578	44,890,000	259,311
L.A. CCD DS 2003 series B	0.578	82,000,000	473,680
L.A. CCD DS 2003 taxable S-C	0.578	3,370,000	19,467
L.A. CCD DS 2003 ref bond S-A	0.578	30,935,000	178,698
L.A. CCD DS 2003 taxable series 2004 B	0.578	28,500,000	164,633
LA. CCD DS 2001 taxable series 2004 A	0.578	75,400,000	435,554
LACC DS REF 2001 series 2005 A	0.578	434,110,000	2,507,671
Pasadena area CCD DS 2002 series A	0.429	28,040,000	120,197
San Gabriel USD DS 2002 series A	73.260	11,892,600	8,712,567
San Gabriel USD DS 2002 series B	73.260	6,728,892	4,929,613
San Gabriel USD DS 2005 ref bonds	73.260	17,510,000	12,827,896
Alhambra USD DS 99 S-A	0.014	9,340,561	1,289
Alhambra USD DS 99 S-B	0.014	9,038,640	1,247
Alhambra USD DS 2005 ref bonds	0.014	8,905,000	1,229
Alhambra USD DS 2004 series A	0.014	50,000,000	6,898
Total Overlapping Debt:			<u>\$ 37,642,944</u>

Source: Los Angeles County Assessor

TABLE 11

CITY OF SAN GABRIEL
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Population (1)</u>	<u>Personal Income (amounts expressed in thousands) (2)</u>	<u>Per Capita Personal income (2)</u>	<u>Unemployment Rate (2)</u>
1997	38,650	\$ 232,359,702	\$ 252,239	7.00%
1998	39,100	253,515,785	27,220	6.70%
1999	39,700	263,987,283	27,973	5.90%
2000	39,804	279,049,532	29,232	5.40%
2001	40,363	294,508,314	30,503	5.60%
2002	40,969	301,002,945	30,828	7.20%
2003	41,571	310,043,501	31,452	7.50%
2004	41,853	329,048,068	33,179	6.90%
2005	42,125	N/A	N/A	5.30%
2006	42,320	N/A	N/A	4.70%

Source: (1) State Department of Finance
(2) State of California Employment Development Department (data shown is for the County)

CITY OF SAN GABRIEL
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government										
Management services	7	7	7	6	6	6	6	6	6	6
Finance	8	7	7	7	6	5	5	5	5	5
Planning	4	4	4	4	3	2	3	3	2	1
Building	2	2	1	2	1	1	1	1	2	2
Other	4	5	5	5	3	3	2	2	2	2
Police										
Officers	53	54	53	50	54	52	53	53	54	54
Civilians	14	12	15	15	13	13	14	13	13	12
Fire										
Firefighters and officers	33	32	34	33	32	33	33	33	33	32
Civilians	2	2	2	2	2	1	1	2	2	2
Highways and streets										
Engineering	2	1	1	1	-	-	-	-	1	1
Maintenance	19	19	19	17	18	19	18	19	18	17
Redevelopment	1	1	1	1	1	1	-	-	1	1
Parks and recreation	21	21	21	21	22	21	20	20	20	20
Total	170	167	170	164	161	157	156	157	159	155

CITY OF SAN GABRIEL
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	27	27	26	27	27	27	27	27	27
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets(miles)	72	72	72	72	72	72	72	72	72	72
Streetlights	800	780	765	750	730	715	700	680	665	645
Traffic signals	915	915	915	915	915	915	903	903	903	903
Culture and recreation										
Parks acreage	25	25	25	25	25	25	25	25	25	25
Parks	4	4	4	4	4	4	4	4	4	4
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	2